

CARBON MARKET BUSINESS BRIEF

SINGAPORE

SINGAPORE CARBON TAX AT A GLANCE

Years in operation	<p>2019-23: SGD 5/tCO₂e</p> <p>Announced (but not yet enacted into law):</p> <p>2024-25: SGD 25/tCO₂e</p> <p>2026-27: SGD 45/tCO₂e</p> <p>2028-30: SGD 50 to SGD 80/tCO₂e</p>
Overall cap & trajectory	NA
Target(s)	Singapore's NDC sets a target to peak emissions at 65 CO ₂ million tCO ₂ e around 2030. Beyond that, Singapore's Low Emissions Development Strategy (LEDS) states an ambition to halve emissions from its peak to 33 MtCO ₂ e by 2050, with a view to achieving net zero emissions as soon as viable in the second half of the century.
Emissions Reduced to date	Information not available.
Sectors covered	The carbon tax applies to all facilities with annual GHG emissions of 25,000 tCO ₂ e or more.
GHGs covered	CO ₂ , CH ₄ , N ₂ O, SF ₆ , NF ₃ , HFCs and PFCs (fully listed in the First Schedule of the Carbon Pricing Act 2018.)
# of covered entities	<p>In 2020, the number of companies which were subject to the carbon tax was around 40.</p> <p>Presently, the carbon tax covers about 50 facilities.</p>
Allocation method	NA
Trading rules	NA
Use of offsets and linking	Companies will be able to surrender high quality international carbon credits to offset up to 5% of their taxable emissions from 2024.
Other features	NA
Penalties for non-compliance	<p>A financial penalty of 5% of the amount of tax assessed and remaining unpaid is payable in addition to the tax that remains unpaid.</p> <p>If the outstanding tax remains unpaid within 60 days after the imposition of the financial penalty, an additional financial penalty of 1% of the amount of tax remaining unpaid is payable for each completed month that the tax remains unpaid, but not exceeding triple the amount of tax remaining unpaid in total.</p>
Use of revenues	Tax revenues are used to support decarbonisation efforts and the transition to a green economy and cushion the impact on businesses and households.

MAJOR DEVELOPMENTS

Singapore introduced a carbon tax in 2019 covering about 80% of the country's emissions. The tax is currently implemented through a fixed-price credit-based mechanism. The government issues non-tradeable credits that liable companies have to buy at a fixed price and then surrender to the government to show their compliance. Between 2019 and 2023 the credits cost SGD 5/tCO_{2e}.

In February 2022, Singapore announced plans to raise the level of their carbon tax. It will increase to:

- SGD 25/ tCO_{2e} in 2024 and 2025
- SGD 45/ tCO_{2e} in 2026 and 2027
- SGD 50 to SGD 80/ tCO_{2e} by 2030.

Consultations with relevant stakeholders on the transition framework and the framework for the use of carbon credits are currently ongoing. Details will be shared in 2023, ahead of the implementation of the revised carbon tax framework in 2024.

Alongside this announcement, Singapore also announced plans to allow companies to use high quality international carbon credits to offset up to 5% of their taxable emissions.

An official from the National Climate Change Secretariat of Singapore has been reported ¹ as saying that Singapore will use the eligibility criteria developed by ICAO for CORSIA to determine which credits will be accepted for offsetting purposes as against the carbon tax. The credits will have to relate to emission reductions that take place after 2020 and with corresponding adjustment for the purposes of Article 6 of the Paris Agreement.

In addition to the tax increase announced in February, Singapore has stated that it will revise its long-term emissions target with an ambition to achieve net zero emissions as soon as viable in the second half of the century. Consultations will be held with industry and citizen stakeholder groups during 2022, before a formal review of Singapore's Low Emissions Development Strategy (LEDS) later in the year.

USEFUL LINKS

[The World Bank's Carbon Pricing Dashboard](#)

REFERENCES

[NCCS, Singapore's Enhanced Nationally Determined Contribution and Long-Term Low-Emissions Development Strategy](#)

[NEA, Carbon Tax](#)

[Singapore Statutes Online, Carbon Pricing Act 2018](#)

[NCCS, Carbon Tax](#)

[NCCS, Carbon Tax FAQs](#)

AUTHORS

Simon Henry

Director, Carbon Market Development, IETA

henry@ieta.org

Peter Zaman

Partner, Holman Fenwick Willan Singapore LLP

peter.zaman@hfw.com

¹ Quantum Commodity Intelligence, "Singapore to mandate offsets meet CORSIA standards" (11 May 2022)